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NSC FOR JIM LOI

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TAGS: [ECON](#) [ETRD](#) [EFIN](#) [CH](#)

SUBJECT: CHINA/G-20 Pittsburgh: Focus on IFI Reform and Aid, Not Climate Change and Rebalancing

REF: SECSTATE 58996

Classified By: Econ Minister-Counselor Rob Luke for Reasons 1.4
(b) and (d)

¶1. (C) Summary: China would like to continue working with the United States in the lead-up to the Pittsburgh G-20 Leaders' Summit, and seek to avoid a perceived European desire to raise economic imbalances that would shine an unflattering light on China and the United States, according to China's G-20 sous-Sherpa. China will prioritize progress on international financial institution (IFI) reform, continued support for global economic growth, and assistance to developing countries. The summit should not address climate change, energy, or sustainable development. A reformulation of the regulation and IFI reform working groups would be useful. China would like the same protocol and logistical arrangements as the Washington Summit. End Summary.

¶2. (SBU) In a June 19 meeting with Econoffs, Ministry of Foreign Affairs' Department of International Organizations and Conferences Deputy Division Director Guo Xuejun (China's G-20 sous Sherpa) offered reactions to recent phone calls between Chinese G-20 Sherpa and Vice Foreign Minister He Yafei and other sherpas, including U.S. Deputy National Security Advisor Michael Froman.

Cooperating, but Avoiding the Blame Game

¶3. (SBU) Guo said China hopes that our two countries can cooperate at the G-20 Summit in Pittsburgh as we did in the last two summits. He noted that China's leaders disliked the "G-2" moniker.

¶4. (C) Guo worried that some G-20 countries on "Continental Europe" had told China that they planned to raise the topic of "global imbalances" and in particular the role of the U.S. deficit and the Chinese surplus in creating conditions that facilitated the global financial crisis. He suggested that these countries would try to imply that, as instigators of the economic downturn, the U.S. and China had a greater responsibility to do more to mitigate its effects. Guo said this would have negative repercussions for both countries, as well as the entire summit and its outcome. He agreed with a suggestion by Deputy National Security Advisor Froman in a phone call that day that the G-20 "look forward."

Yes: IFI Reform, Economic Recovery/Exit Strategies Acceptable Topics

¶5. (C) Reiterating a list of seven summit agenda items provided by Deputy National Security Advisor Froman, Guo said China will support an ambitious agenda at the G-20 Summit but commented that

the leaders at the Summit will have a hard time squeezing so many issues into the allotted time. Of the seven items, China wants to focus on reform of international financial institutions (IFI's), an area Guo thought the U.S. and China have common ideas, but the Europeans may have "different voices." Guo said China has no problem with President Obama's financial sector reform plan, noting that it was in accord with the London summit, but again Europe--and particularly Germany--may not feel the same.

¶6. (C) Guo highlighted the importance of emphasizing continued vigilance to solidify economic recovery, even though economic conditions will have improved by the time of the Summit. He noted discussion, which he attributed to the Europeans, about exit strategies from current monetary and fiscal stimulus measures and concerns in "other countries" about inflation.

Development/Trade: South-South Posturing

¶7. (SBU) Guo said aid to the poor is also a Chinese priority. Guo said China hopes the Pittsburgh Summit can do more in this area, and that perhaps food security could be included in the discussion (reported septel). Guo said progress on the Millennium Development Goals could earn support for the G-20 Summit from sometimes-critical developing countries, and that China would endorse this deliverable.

¶8. (SBU) Guo said China has agreed to contribute to the International Monetary Fund (IMF), but had hoped that the \$50 billion bond purchase would go to assisting the poorest nations. So far, he said, the IMF hasn't helped the least-developed countries (LDCs), such as those in Africa, but focused mainly on

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Eastern Europe. He noted that the IMF, due to debt sustainability concerns, had in fact required China's commercial banks to draw down their loans to the Congo before providing balance of payments support to that nation. Africa, he said, wants development resources. (Note: Throughout the discussion, Guo lumped China's purchase of IMF bonds in with development and trade assistance for LDCs. End Note.)

¶9. (SBU) Guo suggested that the World Bank, as well as the African Development Bank and the IMF, have adequate resources and institutional capacity to provide more assistance. He was clear that China did not intend to provide additional resources to these international institutions, and suggested that all of the G-20 countries provide bilateral assistance. He noted the previous Summit commitment to ensure that assistance will not decrease despite the crisis. Guo warned that if the three G-20 Summits produce no results for Africa, then Africa and the LDCs will have no faith in the G-20 process.

¶10. (SBU) Guo said developing countries were concerned about trade barriers and subsidies in developed countries, and agreed the Summit could include a positive statement on Doha. But Guo emphasized that China had correctly sided with India and other developing countries during the Doha Round, and that China's interests are more closely aligned with developing countries on trade.

No: Climate Change, Sustainable Development

¶11. (SBU) Guo unsurprisingly did not think climate change and energy should be discussed in Pittsburgh, since it will be discussed at the G-8 Summit in A'quilla in July and at the United Nations within a few days of the Pittsburgh Summit. The leaders, according to Guo, should not have to talk about the issue twice in three days.

¶12. (SBU) Commenting on the so-called German charter for sustainable economic growth, Guo said that he had heard that Germany had set up a task force to move the issue forward, and he is afraid that Germany and France will raise the issue again at the Pittsburgh Summit. Guo commented the charter is ambitious and

too complicated. Guo emphasized that these negotiations need to be transparent and inclusive.

Want: Working Groups

¶13. (C) Guo asked that the United States reconsider keeping the G-20 London Summit working groups, and opined that retaining them would guarantee transparency and inclusiveness. He said this was a sentiment shared by Korea and Australia as well. He suggested two working groups, focusing on international financial system reform and regulation, and run by technical experts. Guo surmised that China would be represented in a working group on regulation by the People's Bank of China or the China Banking Regulatory Commission, and by the Ministry of Finance and People's Bank of China in a working group on reforming the IFI's. He agreed that such technical groups would provide a valuable bureaucratic "buffer" for China, allowing technical discussions and solutions.

Protocol, Seating Arrangements

¶14. (SBU) Guo said China could easily accept "exactly the same" protocol and logistical arrangements agreed to for the Washington G-20 Summit. He clarified that this meant the same seating, participation, safety, and logistics arrangements. He joked that the Summit would be a success if China's leaders are happy with the seating arrangements.

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